

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
EVERTON REGIONAL SEWER DISTRICT
FAYETTE COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
01/27/2009

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information	5
Supplementary Information:	
Schedule of Long-Term Debt	6
Examination Results and Comments:	
Undocumented Expenses	7-8
Errors on Claims	8
Bank Account Reconciliations	8
Capital Asset Records	9
Condition of Records	9
Annual Report.....	9-10
Exit Conference.....	11

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Duane Brandenburg	01-01-06 to 12-31-08
President of the Board	Tom Fledderman	01-01-06 to 12-31-08



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE EVERTON REGIONAL
SEWER DISTRICT, FAYETTE COUNTY, INDIANA

We have examined the financial information presented herein of the Everton Regional Sewer District (District), for the period of January 1, 2006 to December 31, 2007. The District's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the District for the years ended December 31, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

December 23, 2008

EVERTON REGIONAL SEWER DISTRICT
 SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
 ALL PROPRIETARY FUND TYPES
 As Of And For The Years Ended December 31, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Proprietary Funds:				
Operating	\$ 95,244	\$ 328,257	\$ 316,183	\$ 107,318
Bond and interest	83,338	109,798	109,630	83,506
Debt service reserve	<u>90,877</u>	<u>11,000</u>	<u>-</u>	<u>101,877</u>
Totals	<u>\$ 269,459</u>	<u>\$ 449,055</u>	<u>\$ 425,813</u>	<u>\$ 292,701</u>
	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Proprietary Funds:				
Operating	\$ 107,318	\$ 331,964	\$ 323,937	\$ 115,345
Bond and interest	83,506	109,673	109,411	83,768
Debt service reserve	<u>101,877</u>	<u>8,123</u>	<u>-</u>	<u>110,000</u>
Totals	<u>\$ 292,701</u>	<u>\$ 449,760</u>	<u>\$ 433,348</u>	<u>\$ 309,113</u>

The accompanying notes are an integral part of the financial information.

EVERTON REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The District was established under the laws of the State of Indiana. The District provides the following services: wastewater collection and transmission, and general administrative services.

Note 2. Fund Accounting

The District uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is prepared and approved at the local level.

Note 4. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the District to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

EVERTON REGIONAL SEWER DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

The District has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Proprietary Activities:		
Revenue bonds:		
Construction of collection system	\$ 1,685,000	\$ 109,144

EVERTON REGIONAL SEWER DISTRICT EXAMINATION RESULTS AND COMMENTS

UNDOCUMENTED EXPENSES

Two payments for personal services were made to Tom Fledderman, Board President, during the examination period that were not supported by documentation.

The first undocumented claim was paid in the amount of \$1,050 for employee services provided to the district in October 2007. Mr. Fledderman subsequently provided satisfactory details of those services on December 15, 2008.

The second undocumented claim was paid on December 12, 2007, in the amount of \$1,200 for services as a District Board member. A review of the Board minutes indicated that Mr. Fledderman only attended 10 Board meetings. According to the statute cited below, Tom Fledderman should have been paid \$500 for attending 10 Board meetings at the statutory rate of \$50 per day. This resulted in an overpayment in the amount of \$700. Claims dated December 19, 2008, reflecting amounts due Mr. Fledderman for "Board Fees" and "Maintenance Work," were adjusted by \$550 and \$150, respectively, to effect recovery of the overpayment.

The District was instructed in the two prior examination reports that Board members compensation is set according to Indiana Code 13-26-4-7. This statute states that: "the board of a district may provide for the payment of not more than fifty (\$50) per day to members of the board for each day or major part of a day devoted to the work of the district." This statute requires the individual board members to document the days and the hours worked as well as the services provided in order to be compensated. The claims submitted by Mr. Fledderman did contain dates, however, the duties performed were vague or nonexistent and hours worked were not always documented on the claims.

The above mentioned claims were issued as vendor claims and therefore would be subject to Indiana Code 5-11-10-1.6 (c) which states in part:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods or services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true or correct".

Indiana Code 5-11-10-3 states:

"A person who knowingly violates section 1 of this chapter commits a Class D felony."

Supporting documentation such as a time card or a time sheet must be available for examination to provide supporting information for the validity and accountability of monies disbursed for services. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 14)

EVERTON REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

Mr. Fledderman repaid the \$700 overpayment by accepting a reduced amount of the Board and other fees due to him for 2008 as described above. The Treasurer, Duane Brandenburg, agreed to reduce the fees due to Mr. Fledderman for 2008, and retain documentation of the repayment for presentation during the subsequent examination.

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the examination period:

1. Fifty-six claims included sales tax.
2. Late fees were paid on five claims.
3. Vendor claims are being used for payroll disbursements.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit. Additionally officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for examination.

Indiana Code 5-13-6-1(e) states in part:

"All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

EVERTON REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS

The District is not maintaining capital asset records.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 16)

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping, that were cited in the prior examination report, were again present during our period of examination:

1. Funds moved from the certificates of deposits to cash were posted as operating revenues.
2. Interest earned on the certificates of deposits was not always posted to the records.
3. There was only one "operating revenue" posted per month in the Simplified Cash Journal. There was no breakdown of revenue type, such as, sewer fees, penalties, or other revenue.
4. Revenue and expenditure transactions were not always posted in the month the transaction occurred.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 21)

ANNUAL REPORT

The Annual Financial Reports SDAR presented for 2006 and 2007 were incomplete and inaccurate. The following deficiencies were noted:

1. Not all funds maintained in the accounting records of the district were reflected in the report.
2. The report contained no bank or investment information.
3. The receipts and the expenditures of the district were not reflected in the report.
4. All but one page of the report was blank.

EVERTON REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-1-4(a) states in part:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year . . . these reports shall be prepared, verified, and filed with the state examiner not later than thirty (30) days after the close of each fiscal year."

EVERTON REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on December 23, 2008, with Tom Fledderman, President of the Board; and Duane Brandenburg, Treasurer.